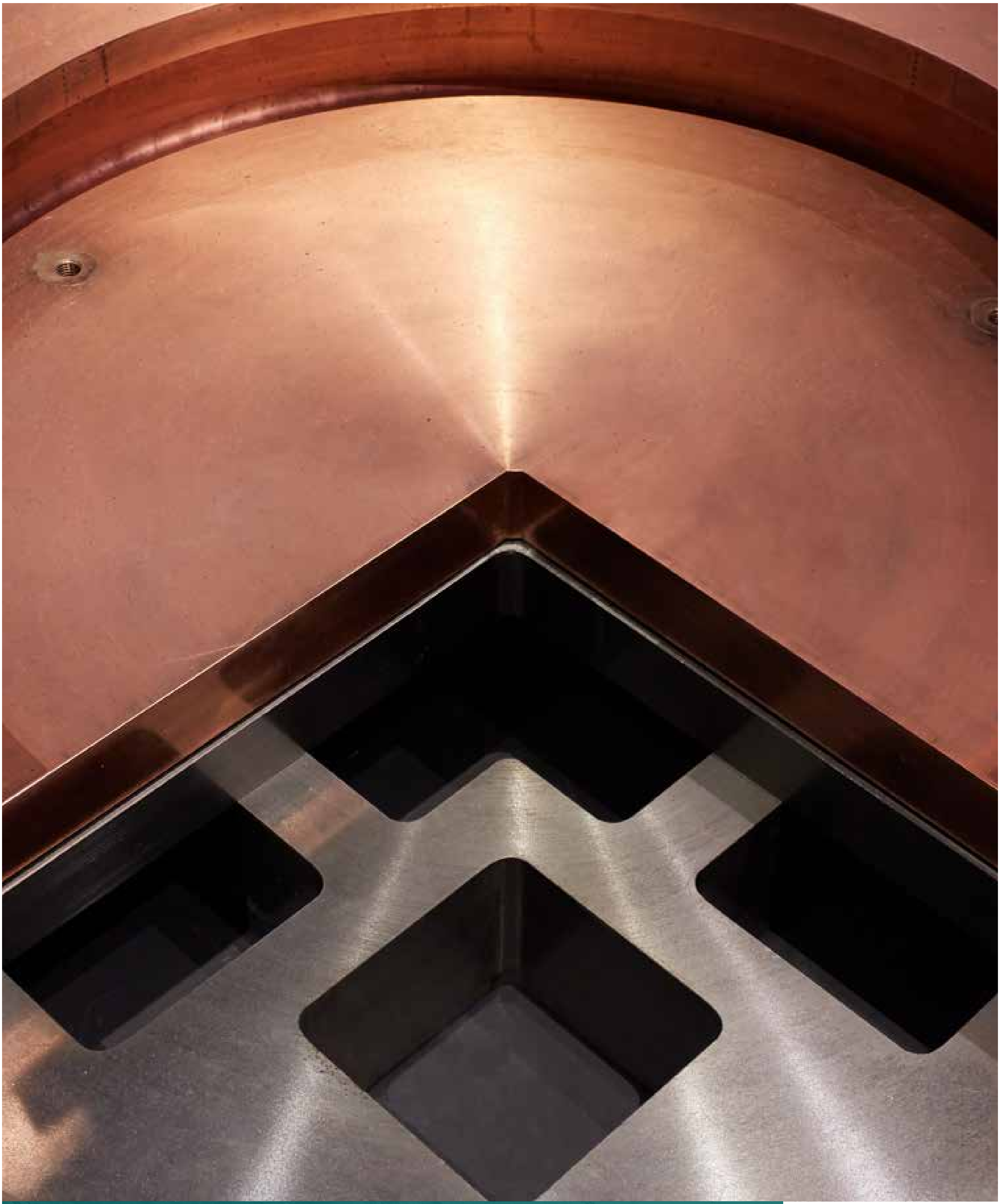


Annual Report
2017

POSIVA

Content

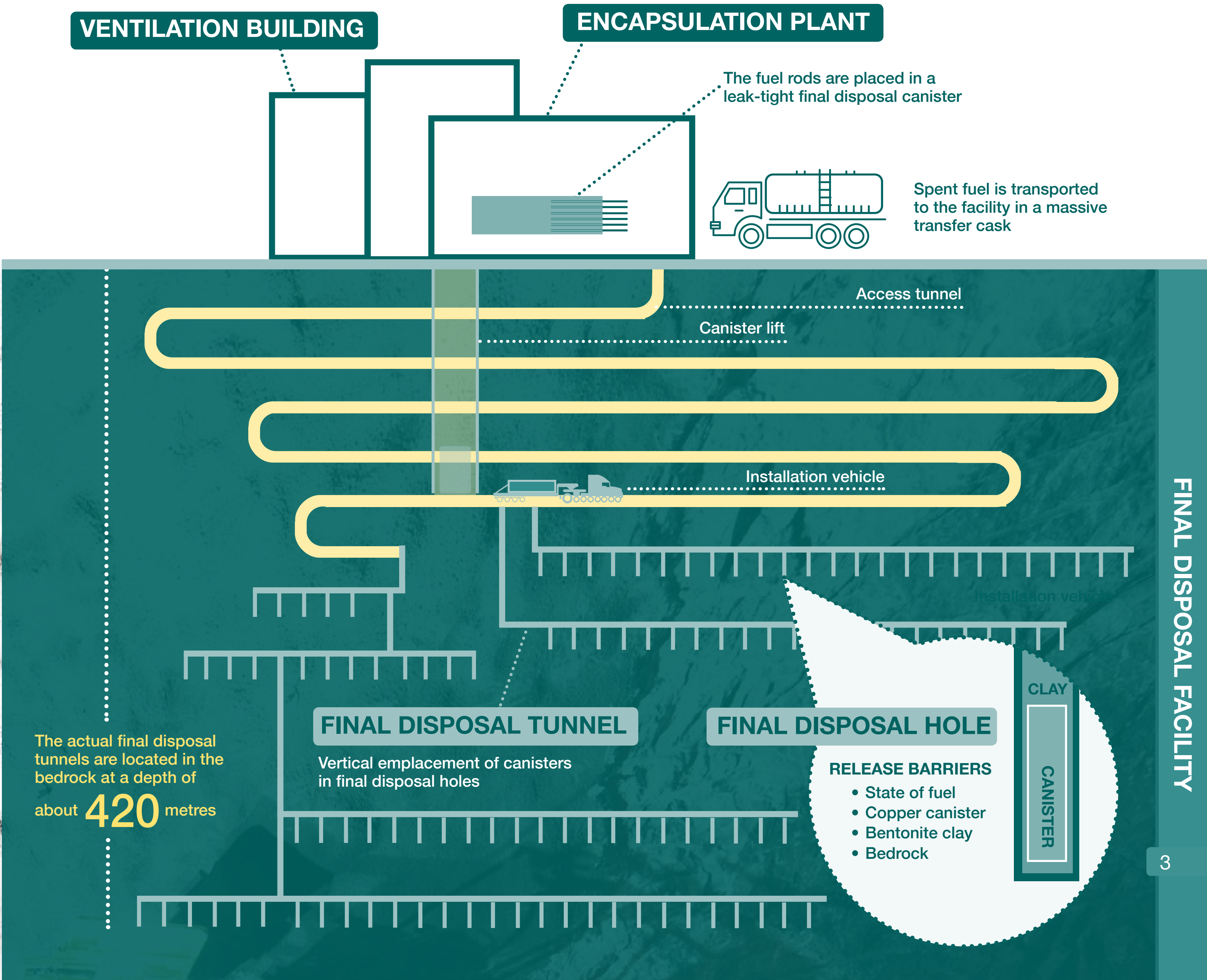
Pictures: Posiva Oy

Posiva and spent nuclear fuel

Posiva Oy, which was founded in 1995, is together with its owner companies Teollisuuden Voima Oyj and Fortum Power and Heat Oy responsible for the final disposal of spent nuclear fuel.

At the end of 2017, the total amount of spent nuclear fuel in the interim storages of the Olkiluoto and Loviisa nuclear power plants was about 2200 tons. Spent nuclear fuel must be cooled in the interim storages for several decades to bring heat generation in the fuel down to the level required for final disposal.

Posiva was granted the construction licence for the final disposal facility of nuclear fuel in November 2015. The first contract-based excavation works for the final disposal facility started in December 2016 and have progressed according to plans. The excavations for the foundation of the encapsulation plant were completed in 2017, and preparatory works for the construction of the encapsulation plant are ongoing. Final disposal is scheduled to start in early 2020s.



Significant progress was made in all the sub-projects of the final disposal project.

President's review

Posiva's operation is guided by the vision "Forerunner in industrial final disposal of spent nuclear fuel"

Posiva's final disposal project made progress in many different sectors in 2017. The construction of the final disposal facility started in late 2016, and works in the first excavation contract proceeded well last year. The total estimated duration of the first excavation works is two and a half years. In 2018, excavation works are expected to move on to the first safety-classified structures, i.e., the first central tunnels.

Excavations for the foundation of the above-ground encapsulation plant were completed in the autumn of 2017. Other work phases completed during the year included also the second phase of construction and HVAC works in the ventilation building and fire compartmenting of the access tunnel to the final disposal repository. The supply contracts for the main equipment of the encapsulation plant were awarded in 2017. On the whole, it can be said that significant progress was made in all the sub-projects of the final disposal project.

A more detailed specification was developed for the production process of final disposal, and negotiations were started with suppliers of components for the production stage. Based on these, the industrialisation activities of the final disposal concept were defined. Decisions on the implementation of the activities are to be made during 2018. Posiva's operation is guided by the vision "Forerunner in industrial final disposal of spent nuclear fuel".

The projects of Posiva's subsidiary Posiva Solutions Oy have become an established part of Posiva's operation. Almost half of the employees of Posiva have worked, outside their primary job functions, also in the different projects of Posiva Solutions during the year.

In 2017, attention was also focused on the development of operation at Posiva. The customer satisfaction survey showed excellent results and the results of the personnel survey also improved. Several employees at Posiva changed their job functions during the year. The significance of cooperation and development of the organisation will further increase as the final disposal project progresses.

In 2018, our focus will be on the industrialisation of the final disposal concept, the first excavation works contract continues, and we prepare for the start of the construction of the encapsulation plant. One of the important milestones of 2018 is the execution of the full-scale system test in ONKALO. The business activities of Posiva Solutions also continue at high pace, as a result of the interest shown in final disposal competence across the world and the increased awareness of Posiva Solutions during the company's first full year of operation.

Janne Mokka
President
Posiva Oy

The foundation excavations and shotcreting of walls for the encapsulation plant were completed.

Main events

Foundation excavations for encapsulation plant completed

The foundation excavations and shotcreting of walls for the encapsulation plant were completed in the autumn of 2017. Excavation works started in the autumn of 2016.

Industrialisation activities specified

Several investigations were launched for the industrialisation of final disposal activities. The investigations concerned, among others, the buffer manufacturing technique, the method for the backfilling of deposition and central tunnels, the backfilling material of the central tunnels, the determination of the degree of utilisation of the deposition tunnels, as well as the canister manufacturing technology and material choices. Decisions on the implementation most of the industrialisation activities are to be made during 2018.

Selection of suppliers for encapsulation plant progressed

The selection of equipment suppliers for the key systems of the encapsulation plant progressed in 2017. Supply contracts were awarded on the fuel transfer machine and transfer trolleys for the final disposal canister and the transfer cask in the spring. In the autumn, decisions were made on the suppliers of the bridge crane for the reception area, and the canister hoist. Procurement was phased starting with the implementation design of equipment. It continues also in 2018.

Posiva Solutions continued to enjoy high business activity

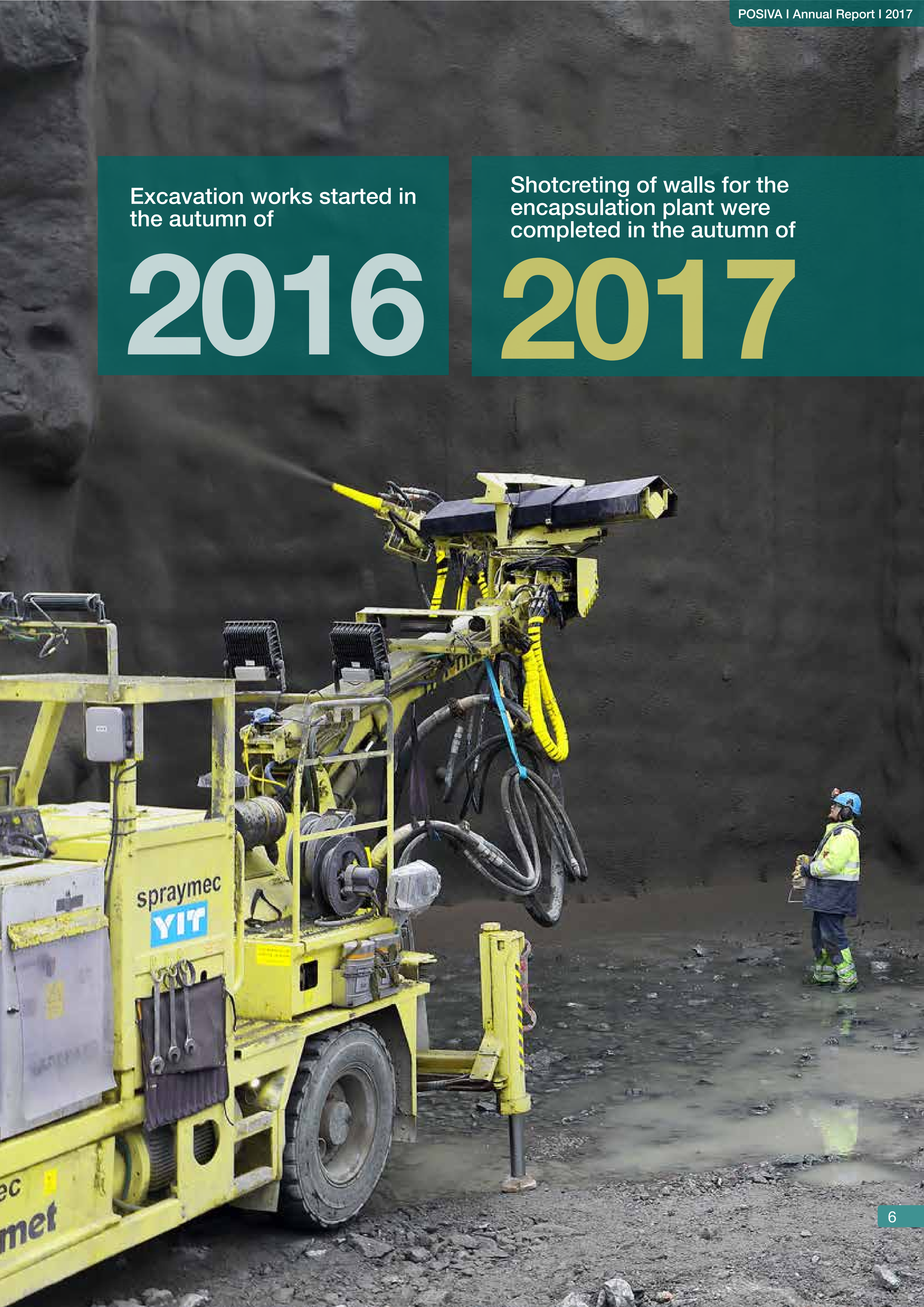
Posiva Solutions which provides expert services related to the final disposal of spent nuclear fuel has continued on a high level of business activity. So far the company has signed about ten project agreements in different parts of the world. Services have been provided to clients in e.g. Czech Republic, Switzerland, China, Canada and Finland. Together with its extensive network of sub-suppliers and cooperation partners, Posiva Solutions provides to its clients tailored expert services in final disposal as well as models and methods developed by Posiva.

Excavation works started in the autumn of

2016

Shotcreting of walls for the encapsulation plant were completed in the autumn of

2017



Report of Board of Directors 2017

Research, development and testing

STUK issued in 2015 its safety assessment of the safety case presented in Posiva's application for a construction licence. Research and development activities related to closing the open points of the final disposal concept as required in STUK's safety assessment were carried out in 2017 according to plans. Work proceeded on target, with 60 of the total of 155 specified tasks completed by the end of 2017. The tasks have been specified with the objective of providing replies to all of STUK's requirements at the latest in connection with the operating licence application.

As part of the commissioning of the final disposal facility, a joint functional test is planned to be carried out in the demonstration facility of ONKALO. The small-scale model of the test location was updated and a rock suitability classification was determined for it. The classification was based on an assessment of the fulfilment of requirements in the central tunnel and the deposition tunnel, and the suitability of the proposed location for a full-scale in-situ system test.

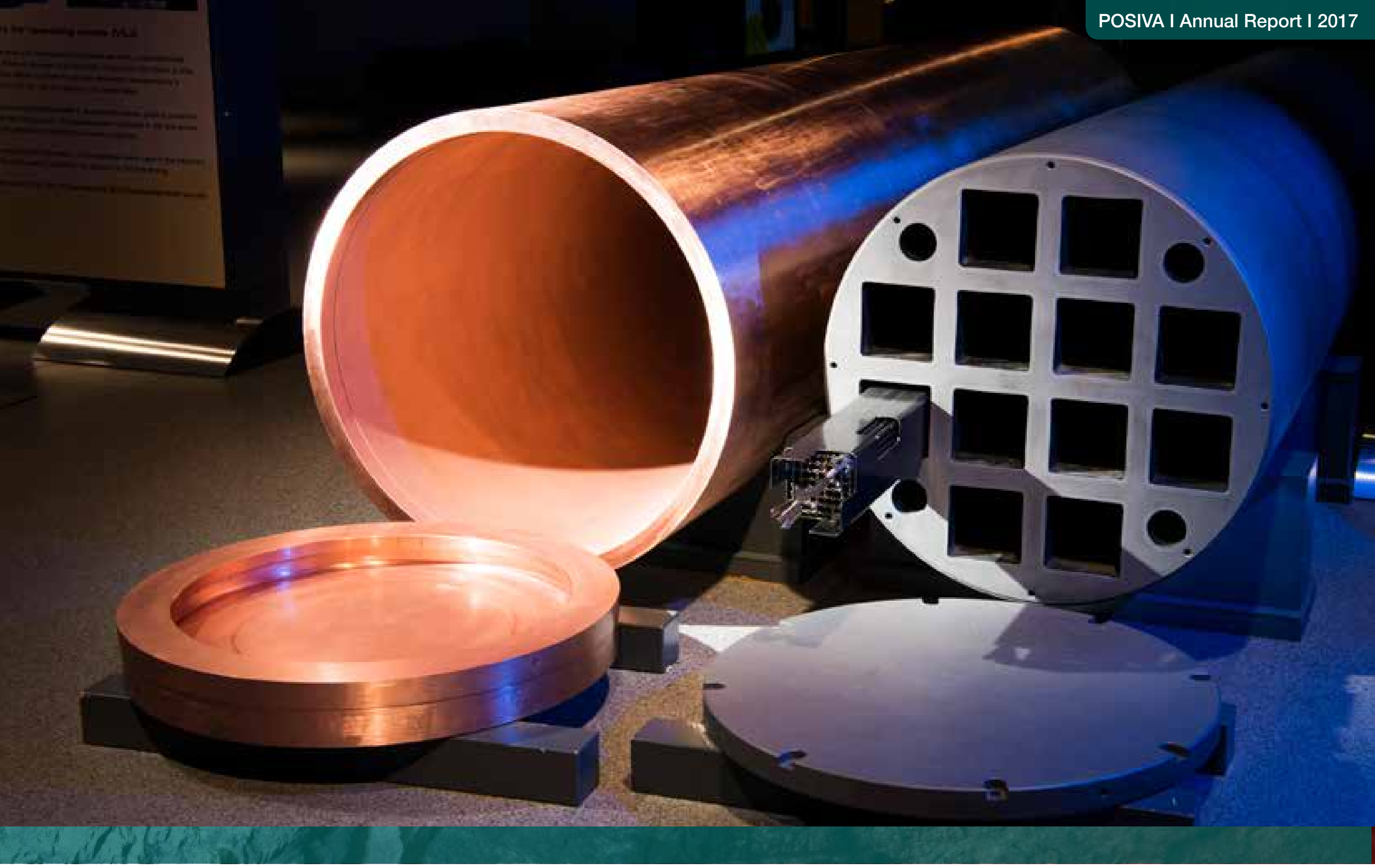
Research and development tasks demanded in STUK's safety assessment were carried out according to plans.

A rock suitability classification was performed for the first final disposal panel of the final disposal repository.

The monitoring of the final disposal facility and site was continued in 2017 in accordance with the monitoring programme updated in 2016. A project plan was drawn up for defining a research and monitoring programme for the final disposal facility and the site, to be implemented at the operating stage.

The construction plans included in the designs of the copper components of the final disposal canister were prepared and submitted to STUK for approval. Supply chains of canister components were built and negotiations were conducted with potential suppliers.

Requirement specifications, system descriptions and final inspection plans were prepared for the buffer



Preparations have proceeded from design phase to implement a full-scale in-situ system test in 2018.

surrounding the final disposal canister, and the backfilling of the deposition tunnels. These were submitted to STUK for approval.

A full-scale system test will be carried out in the demonstration tunnel of ONKALO in 2018. Preparations for the test have progressed from the design stage to implementation. The canisters to be placed in the deposition as well as the heating systems used inside the canisters to simulate residual heat from the fuel are ready. The clay components used in the test have for the first time been manufactured in series production. The buffer installation device was modified according to test needs, and the development of the backfill material installation vehicle was continued. The design of the plug to be installed in the test was based on the results of previous full-scale plug tests carried out in ONKALO and in Äspö in Sweden, as well as on reference documentation. Work in the location of the plug and other rock works related to the test were completed in most parts. Extensive monitoring instrumentation was designed and procured for the monitoring of the test.

The preparation of the safety case for the operating licence application progressed. The compilation report of the design bases used in the safety case was finalised, incorporating the modification needs of the release barriers. Work was started to draw up a report which will describe the overall functioning of the final disposal system and the analysis period that covers the entire life cycle. Work was started on preparing the baseline description of the final disposal system, with a systematic analysis of the possible failure mechanisms of all release barriers.

Compilation of a report describing the overall performance of the final disposal system was started in 2017.

A decision was made to continue the optimisation phase of the concept and the costs in Posiva's project. Investigations were carried out for the industrialisation of final disposal activities, related to the buffer manufacturing technique, the method for the backfilling of deposition and central tunnels, the backfilling material of the central tunnels, the determination of the degree of utilisation of the deposition tunnels, as well as the canister manufacturing technology and material choices.

Plant engineering, construction and production

The implementation planning of the encapsulation plant and the final disposal repository as well as the preparation of qualification documentation for the systems of the facilities continued. With the works progressing, implementation planning for the final disposal repository was carried out during the execution of the first excavation works contract. Design activities continued also during the execution of the second phase of the ventilation building.

For the encapsulation plant, the design focus was on the preparation of construction plan documents for the main equipment of the encapsulation process. The equipment designed included e.g. the fuel transfer machine, the transfer trolleys for the canister and the transport cask, and the docking stations for the canister and the transport cask. Engineering design for the bridge crane in the reception area started towards the end of the year. The manufacturing designs for the copper lid welding machine of the final disposal canister were finalised.

Excavation works in the first tunnel contract LTU1 have progressed well in the final disposal repository. About two thirds of the excavation works are now completed.

Construction planning for the encapsulation plant progressed and tender invitation documents for the construction contract were ready at the end of the year. The invitations to tender on the construction contract were sent out in mid-December.

Excavation works in the first tunnel contract LTU1 have progressed well in the final disposal repository. About two thirds of the excavation works of the contract are now completed. The decision to relocate the first deposition tunnels to the northern panel and a few modifications of the plan slightly extended the scope of the contract. Central tunnels 5 and 6 are the first structures of safety class 3 which are included in the contract. The canister shaft was sealed in the three topmost shaft sections. Raise boring is ready to start.

The excavation of the foundation of the encapsulation plant has been completed. Construction work and the installation of the ventilation system have been completed in the ventilation building, and the compartmenting of the access ramp and the shaft drifts was finished. Once the automation works have been carried out, the final ventilation of the repository can be put into operation in them.

The first versions of the commissioning plan and the production plan are ready. The production plan is based on the current perceptions of production volumes and costs. It provides information on bottle-necks and improvement areas for further efforts.

International cooperation

Posiva continues its wide involvement in international cooperation of the nuclear industry. Forums for the exchange of information and experience on a general level include, in particular, the International Atomic Energy Agency (IAEA), the Nuclear Energy Agency (NEA) of OECD, and the International Association for Environmentally Safe Disposal of Radioactive Material (EDRAM).

For more detailed exchange of information and experience, Posiva has concluded international co-operation agreements with equivalent organisations in several countries. On project level, Posiva participates e.g. in research, development and educational projects within the strategic research programme of IGD-TP (Implementing Geological Disposal Technology Platform); many of these are also included in EU's framework programmes. Posiva and the Swedish company SKB have continued their cooperation, with a shared goal of finalising the final disposal concept and preparing for industrial operational activities at the final disposal facility.

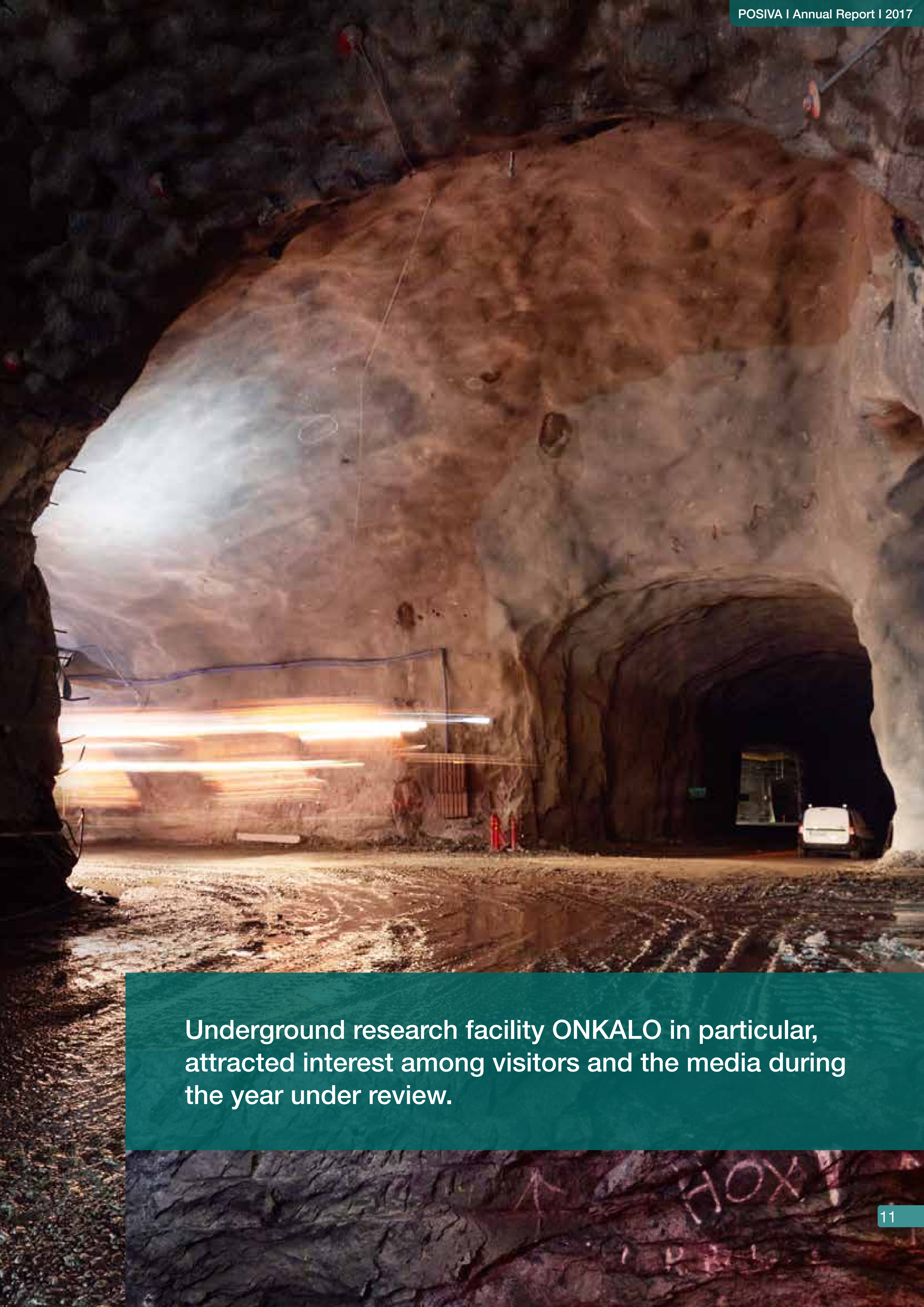
Corporate social responsibility and communications

The progress made in Posiva's final disposal project, and the underground research facility ONKALO in particular, attracted interest among visitors and the media during the year under review. A total of ca. 13 000 Finnish and foreign visitors acquainted themselves with the production of nuclear energy and final disposal in the Visitor Centre in Olkiluoto during the year 2017.

Posiva has concluded international cooperation agreements with equivalent organisations in several countries.

Posiva gained visibility in local recruitment and summer events running a joint exhibition stand with TVO. Posiva arranged together with TVO three visitor days for the international media during the reporting period. Finnish media was also offered three visitor days during the year.

Like in previous years, local activities included e.g. visits from Eurajoki schools and sponsorship to local non-governmental associations and organisations.



Underground research facility ONKALO in particular, attracted interest among visitors and the media during the year under review.

Environmental impact management

At Posiva, the management of environmental matters is based on the certified management system and the annual operating plan. The key environmental aspects of operation are related to the construction of the final disposal facility and to waste management. The most significant identified environmental risks are associated with fires and oil leaks from work machinery in underground facilities. Environmental management activities at Posiva were in 2017 implemented in cooperation with TVO as Group-level activities.

The principle of continuous improvement is complied with in operational planning by looking for means to reduce the potential environmental impact of the operation of the Company.

The solid volume of rock excavated in the construction project of ONKALO amounted in 2017 to about 40 000 m^3. The amount of water used in the construction of the tunnel was ca. 30 899 m^3. The average total leakage in ONKALO was 28 l/min in 2017. The service water and leakage water pumped from the tunnel was drained through clarification and oil separation in an open ditch to the sea. The quality of the water was monitored on a regular basis in the same way as in previous years.

The principle of continuous improvement is complied with in operational planning by looking for means to reduce the potential environmental impact of the operation of the Company. In 2017, the focus was on the prevention of oil pollution. Preventive and in-service activities related to the actions of the personnel and the maintenance of the equipment were reviewed. The compliance of these activities with guidelines, as well as their scope and associated training practices were also verified.

Management System

Posiva's Management System consists of the Management Manual and topical manuals. The Management Manual provides an overview of the operations carried out by Posiva, while the topical manuals contain codes and procedures. The Management System is designed to verify that Posiva's encapsulation plant and final disposal repository will meet the safety criteria specified for them and Posiva's operations are lawful, safe and cost-efficient.

Posiva's Management System was updated in 2017 to meet the requirements of the reformed standards ISO 9001:2015 and ISO 14001:2015. In connection with the updating, the scope of the Management System was extended to cover also the operations of Posiva Solutions Oy.

The certification assessment of the Management System, conducted on 17–19 October 2017, included the re-certification of the Quality System (ISO 9001), Environmental System (ISO 14001), and the Occupational Health and Safety System (OHSAS 18001). The certificates now cover the operations of both Posiva Oy and Posiva Solutions Oy.

Management System is designed to verify that Posiva's encapsulation plant and final disposal repository will meet the safety criteria specified for them.

The scope and effectiveness of the Management System was reviewed in May 2017 in the annual Management Review. The procedures of the Management System were assessed and developed on the basis of both internal and external audits, as well. Where applicable, audits were conducted in cooperation with TVO.

Posiva has further intensified cooperation with its suppliers during the year. In addition to the provision of guidelines, training and control, Posiva audited several suppliers who are important for the project. As part of the assessment process, Posiva acquired approval for the first suppliers of nuclear safety class 2.

The solid volume of rock excavated in the construction project of ONKALO amounted in 2017 to about 40 000 m^3

Safety and safety culture

The year 2017 was particularly good in terms of the safety culture. Key performance indicators were specified for safety, and the progress of the action plan related to safety culture was included in Posiva's performance bonus indicators.

The action plan related to safety culture was updated for the years 2017–2020. The focal areas of the plan are:

A. **Safety culture competence and communication**
B. **Safety culture measurements and reporting**
C. **Continuous improvement and a learning organisation**

Several individual actions were taken within the plan. The most significant actions included the implementation of the basic training package in long-term safety, topical and training events on safety culture, execution of Posiva's oversight function, a safety culture survey on the worksite as well as a personnel survey including a section on safety culture. As concerns the implementation of the action plan and the safety KPIs, safety culture and the development of safety culture can be considered to be on a good level.

Company implemented management of occupational health and safety matters in compliance with the certified management system and the annual action plan of occupational health care. Focus remained on preventive occupational health care, in particular, as well as on a participatory and active model of early intervention. The indicators of occupational health care reported quarterly show that Posiva's status is good and the indicators do not deviate to any significant extent from the distributions in the industry.

Posiva did not reach its targets as concerns occupational safety. During the year, the subcontractors of Posiva reported two accidents resulting in absence from work, with a total of 76 absence days. In addition to these, seven minor work injuries that did not cause absence from work were also reported. Five of these were accidents involving Posiva employees during missions or way to work. The Group-level programme for improving the accident rate was continued, and the most important development areas in occupational safety were outlined for the years 2017–2018.

Posiva's safety culture and the development of safety culture can be considered to be on a good level.

Risk management

The objective of risk management at Posiva is to support the realisation of the strategy and the business objectives as well as the maintenance of operational capabilities. Risk management is organised in a holistic manner in compliance with the operational objectives specified by Posiva's owners and the criteria of good governance.

The President is in charge of risk management that conforms to Posiva's objectives and strategy. The President is assisted in this task by the Management Group.

Posiva defines risks as the impact of uncertainty on the objectives of the organisation. Such impact may be manifested as non-conformance with the objective, in both positive and negative sense.

Posiva's Management Group and Board of Directors reviewed strategic risks on a regular basis during the financial year. The most significant financial risks are related to the procurement chains of conforming copper canisters and clay components during the production stage. Other risks include e.g. the feasibility of the backfilling solution of the deposition tunnels in terms of installation, the construction costs of the encapsulation plant and the final disposal repository, as well as any international events that may have an impact on the progress of Posiva's project. In order to reduce the significance of the risks, specified industrialisation activities were implemented in 2017. In addition, preparations were made for the full-scale system test (FISST) and long-term agreements were drafted with potential component suppliers. Several R&D projects are also ongoing.

In order to reduce the significance of the risks, specified industrialisation activities were implemented in 2017. Preparations were made for the full-scale in-situ system test (FISST) and long-term agreements were drafted with potential component suppliers. Several R&D projects are also ongoing.

Administrative bodies

Board of directors

Teollisuuden Voima Oyj

Jarmo Tanhua, *Chairperson*
Marko Nylund

Fortum Power and Heat Oy

Pekka Leskelä
Satu Katajala

Ms. Ulla-Maija Moisio from Teollisuuden Voima Oyj has acted as the Secretary of the Board.

Posiva Oy's President Janne Mokka has attended the Board meetings.

The Board convened seven times.

President

Janne Mokka

Management group

Janne Mokka, *Chairperson*

Members:
Tiina Jalonen, *Senior Vice President, Development*
Kari Kaukonen, *Safety Manager*
Ari Posti, *Project Manager*
Juha Riihimäki, *Construction Manager*
Petteri Vuorio, *Engineering Manager*

The Business Partner for Communication and Representation, and Communication Manager Susan Pietilä, General Manager of Posiva Solutions Oy Mika Pohjonen as well as Hannu Leino as the personnel representative participated in the work of the Management Group. The Business Partner for HR, and Group HR Specialist Ainomaija Kylänpää was a member of the Group until 25 October 2017, and was then replaced by Senior Vice President, HR, Jaana Isotalo from 26 October 2017.

Susan Pietilä, Communication Manager, has acted as the Secretary of the Management Group.

The Management Group convened ten times.

Board of Directors of Posiva Oy
From left: Jarmo Tanhua, Marko Nylund, Satu Katajala, Janne Mokka ja Pekka Leskelä.

Committees appointed by the board

Project Committee

Teollisuuden Voima Oyj
Sami Jakonen
Mikko Winter

Fortum Power and Heat Oy
Eero Mattila, *Chairperson*
Mirkka Ek

Posiva Oy
Ari Posti
Juha Riihimäki
Petteri Vuorio, *Secretary*

The Committee convened six times.

Financial Committe

Teollisuuden Voima Oyj
Anja Ussa, *Chairperson*
Sanna Niemensivu
Timo Palomäki

Fortum Power and Heat Oy
Mikko Huopalainen
until Meeting 1/2017
Heikki Ratsula
as of Meeting 2/2017
Harriet Kallio
until Meeting 2/2017
Jani Halinen
as of Meeting 3/2017
Mika Sappinen

Posiva Oy
Janne Mokka
Jussi Palmu, Secretary
Ari Posti

The Committee convened six times.

Technical Committee

Teollisuuden Voima Oyj
Tommi Nyman, *Chairperson*
Timo Palomäki
Anssu Ranta-Aho

Fortum Power and Heat Oy
Harriet Kallio
Maiju Paunonen
Jari Tuunanen

Posiva Oy
Tiina Jalonen
Kari Kaukonen
Ville Heino, *Secretary*

The Committee convened six times.

Auditors

CPA Jouko Malinen,
nominated by PricewaterhouseCoopers Oy
CPA Robert Kajander,
nominated by Deloitte & Touche Oy

Management Group of Posiva Oy
From left: Tiina Jalonen, Juha Riihimäki, Ari Posti, Janne Mokka, Petteri Vuorio, Susan Pietilä ja Kari Kaukonen.

Shareholdings and share series

Posiva Oy is a joint venture of Teollisuuden Voima Oyj and Fortum Power and Heat Oy. The number of shares in Posiva Oy was 100 005 000 on 31 December 2017. The shares of the Company are divided in A series and B series. The number of shares in A series is 100 000 000 and the number of shares in B series is 5000. TVO owns 60% of the A series shares and Fortum 40%. TVO's ownership of the B series shares is 73.62% and Fortum's 26.38%.

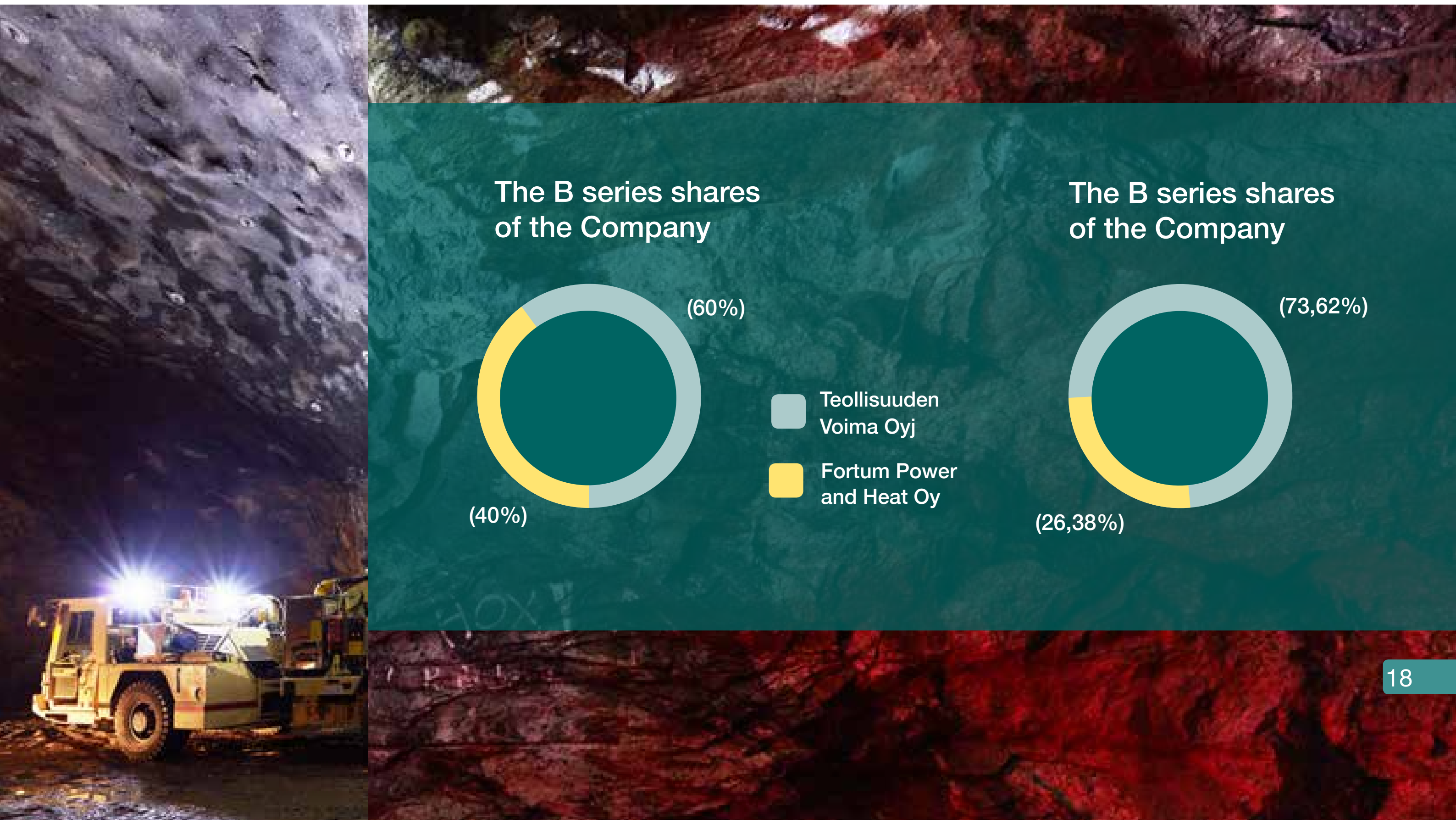
The A and B series of shares differ from each other as follows:

- All of the A series shares of the Company have equal voting rights.

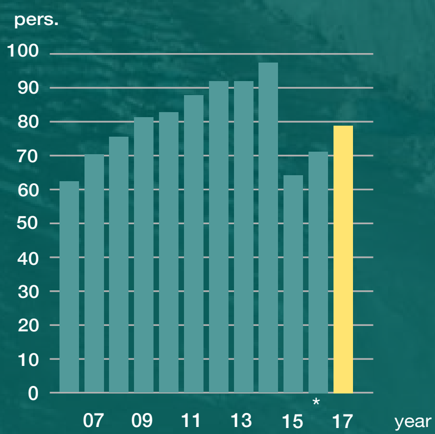
- The A series shares of the Company do not have rights to the assets of the Company, if the Company distributes dividends from profit or assets from the invested unrestricted equity fund, when the dividend or the assets in the invested unrestricted equity fund come from profit distributed by the Company's subsidiary Posiva Solutions Oy or from assets distributed by the subsidiary from its invested unrestricted equity fund or otherwise from assets originating from as distribution of assets from the shares of the subsidiary, or assets generated by the said shares as capital gain or otherwise.

- The B series shares of the Company do not have voting rights.

- When the Company distributes dividends or assets from the invested unrestricted equity fund, the B series shares have equal rights to the dividend and the distributed assets, when the dividend or the assets in the invested unrestricted equity fund come from profit distributed by the Company's subsidiary Posiva Solutions Oy or from assets distributed by the subsidiary from its invested unrestricted equity fund or otherwise from assets originating as distribution of assets from the shares of the subsidiary, or assets generated by the said shares as capital gain or otherwise. The series B shares of the Company do not in other respects have rights to dividend or rights to distribution of assets from the invested unrestricted equity fund.



Development of personnel number



* 30 persons transferred to TVO as old employees in the transfer of business.

Personnel and organisation

At the end of the year, Posiva employed 79 persons (79). The figure includes both permanent and fixed-term employment contracts. During the year, Posiva employed an average of 84 (81) persons, some of them on a fixed-term contract and some as summer employees. Posiva's project also employs 40 employees of TVO. During the year 2017, Posiva recruited 7 (14) new employees. Of the permanent staff, 8 (7) persons left Posiva's employment, 1 (2) of them due to retirement.

On average, Posiva's employees attended 7.5 (7) training days during the year. In addition to internal training and training provided by TVO Group, several employees of Posiva attended the course on nuclear safety and waste management (YJK). Posiva's employees also participated in many training events and seminars outside the Group in their own fields of expertise.

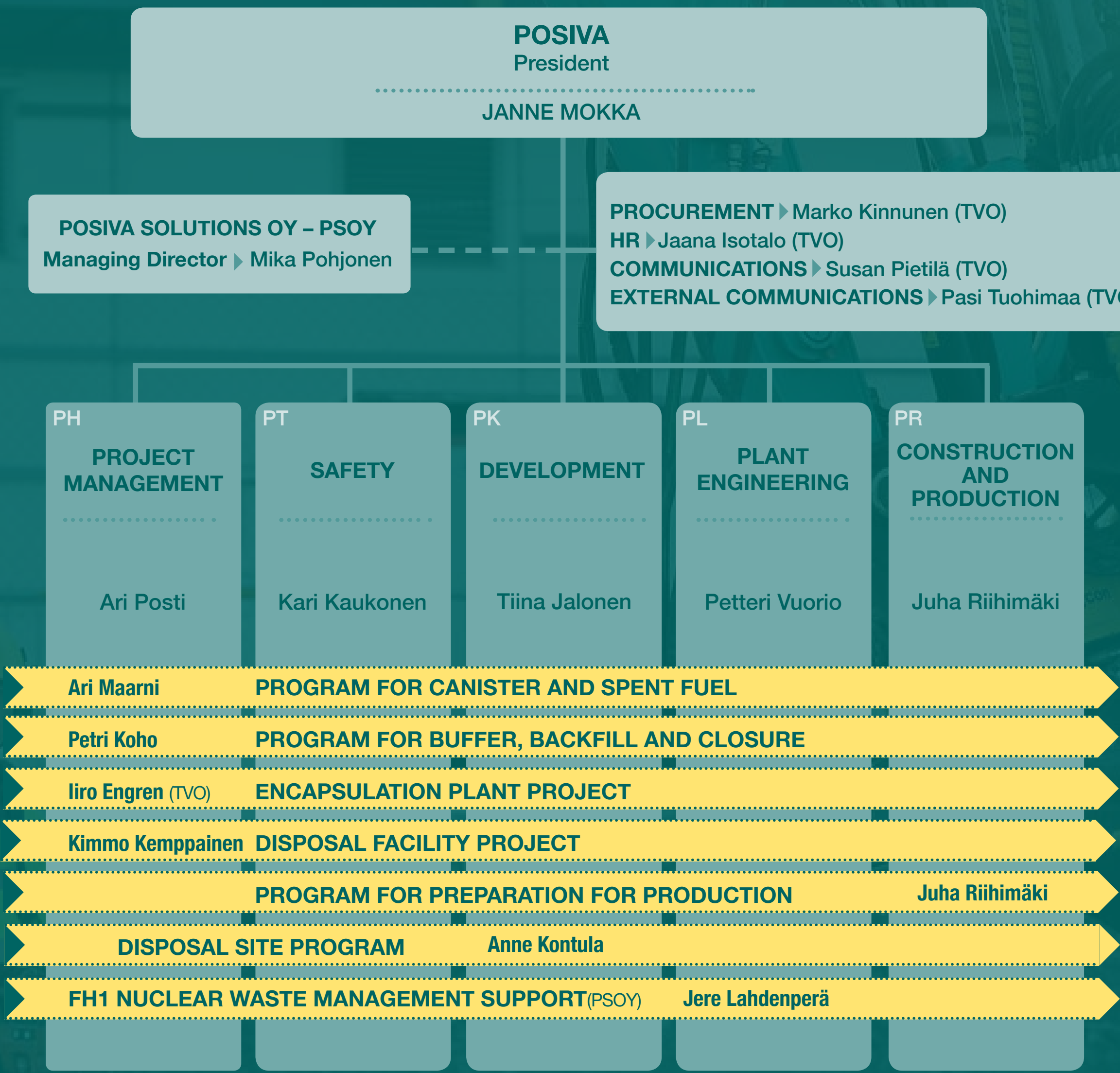
The collective agreements of the energy industry are valid until 31 January 2018. Employment relationship issues were addressed in the meetings of specific personnel groups and matters pertaining to the entire staff in the cooperation meetings of TVO Group. The entire personnel of Posiva are included in a performance bonus scheme. Performance bonuses can be transferred directly to the personnel fund of the Group.

On average, Posiva's employees attended 7.5 training days during the year.

The development of Posiva's management and operating culture is based on TVO Group's project "Better workplace" (formerly "Well-being and profitable employees 2020"). The objectives of the project include the improvement of the operating efficiency and the securing of good preconditions for operation through the development of issues related to the work of the individual, the immediate work community and the whole Group. Other factors contributing to the well-being at work of Posiva's employees include an extensive occupational health care system available to the entire personnel and supplemented by personnel insurance coverage as well as Smartum's culture and exercise balance.

Posiva has business facilities in Olkiluoto in the municipality of Eurajoki, where Posiva's employees work both in the central office and in the office building on the ONKALO worksite.

POSIVA


POSIVA
President
JANNE MOKKA
POSIVA SOLUTIONS OY – PSOY
Managing Director Mika Pohjonen
PROCUREMENT Marko Kinnunen (TVO)
HR Jaana Isotalo (TVO)
COMMUNICATIONS Susan Pietilä (TVO)
EXTERNAL COMMUNICATIONS Pasi Tuohimaa (TVO)
PH
PROJECT MANAGEMENT
Ari Posti
PT
SAFETY
Kari Kaukonen
PK
DEVELOPMENT
Tiina Jalonen
PL
PLANT ENGINEERING
Petteri Vuorio
PR
CONSTRUCTION AND PRODUCTION
Juha Riihimäki
Ari Maarni PROGRAM FOR CANISTER AND SPENT FUEL
Petri Koho PROGRAM FOR BUFFER, BACKFILL AND CLOSURE
Iiro Engren (TVO) ENCAPSULATION PLANT PROJECT
Kimmo Kemppainen DISPOSAL FACILITY PROJECT
PROGRAM FOR PREPARATION FOR PRODUCTION Juha Riihimäki
DISPOSAL SITE PROGRAM Anne Kontula
FH1 NUCLEAR WASTE MANAGEMENT SUPPORT(PSOY) Jere Lahdenperä

Economy and finance

The shareholders of Posiva bear the costs related to Posiva's main line of business – the management of spent nuclear fuel generated at the Olkiluoto and Loviisa power plants, as well as the research and development activities required to accomplish this task – and the majority of the turnover is derived from charges for these costs. The Company also executes orders to the owners and Posiva's subsidiary Posiva Solutions Oy on a small scale, and participates in EU-level joint projects in the nuclear waste sector. The turnover of the Company totalled EUR 67.9 (55.5) million, with the main line of business accounting for EUR 67.2 (55.0) million.

Posiva attends to the nuclear waste management tasks stipulated in the Nuclear Energy Act to the power companies responsible for nuclear waste management – Posiva's owners. Consequently, the Company charges the annual costs arising from this, including the acquisition costs of fixed assets. Since the nuclear waste management costs will not accrue income in the future for the companies with waste management obligations or for Posiva, Posiva's nuclear waste management costs have been deducted in full as annual costs, even where acquisition costs of fixed assets are concerned. The companies responsible for nuclear waste management make provisions for the cost of nuclear waste management by paying annual nuclear waste management fees to the State Nuclear Waste Management Fund.

Scope of research and development activities

At present, Posiva's research and development activities consist of the finalising of research projects related to the operating licence for the final disposal solution, as well as the development of industrialisation activities for the production stage. In 2017, a total of ca. EUR 25.0 (20.1) million was spent on R&D, accounting for 36.8% (36.2%) of turnover.

Key indicators

Due to the operating principle of the Company, the presentation of key financial indicators is not appropriate for understanding the business activities, financial status or financial result of Posiva. The financial statements show neither profit nor loss.

Events after the end of the financial period

No essential events have come up that would affect the development of the business.

Estimate of probable future development

In 2018, the optimisation phase of the concept and the costs will continue in Posiva's final disposal project. Operations in 2018 include continued technical design work for the overall final disposal facility, start of safety-classified excavations, decision-making on the implementation of the industrialisation activities specified in 2017, and preparations for the construction of the encapsulation plant.

Distribution of profits

The Company has no unrestricted equity and thus there are no dividends to be distributed.

Financial statements

CONSOLIDATED INCOME STATEMENT

	Note	1.1. - 31.12.2017	1.1. - 31.12.2016
Turnover	2	71 239 615.36	59 699 536.12
Other income	3	984 914.47	1 789 846.11
Materials and services	4	-683 476.26	-39 740.45
Personnel expenses	5	-5 902 358.71	-5 881 622.74
Depreciation	6	-46 843.66	-127 954.11
Other expenses	7	-63 376 907.03	-51 505 233.17
Profit/loss from operations		**2 214 944.17**	**3 934 831.76**
Financial income and expenses	8	-17 552.28	-30 320.79
Profit/loss before appropriations and taxes		**2 197 391.89**	**3 904 510.97**
Income taxes		-444 992.38	-778 788.18
Profit/loss for the financial year		**1 752 399.51**	**3 125 722.79**

CONSOLIDATED BALANCE SHEET

	Note	31.12.2017	31.12.2016
Assets			
Non-current assets	9		
Intangible assets		2 985.26	5 112.24
Tangible assets		134 991.23	166 967.86
Investments		43 366.70	43 366.70
Non-current receivables		1 717 806.04	2 198 632.50
Total non-current assets		1 899 149.23	2 414 079.30
Current assets			
Current receivables	10	4 849 959.24	6 428 662.24
Cash and cash equivalents	11	14 664 302.47	14 160 346.01
Total current assets		19 514 261.71	20 589 008.25
Total assets		**21 413 410.94**	**23 003 087.55**
Equity and liabilities			
Equity	12		
Share capital		1 684 500.00	1 684 500.00
Retained earnings/loss		3 125 722.79	0.00
Profit/loss for the financial year		1 752 399.51	3 125 722.79
Total equity		6 562 622.30	4 810 222.79
Liabilities			
Non-current liabilities	13	4 341 590.74	4 483 395.92
Current liabilities	14	10 509 197.90	13 709 468.84
Total liabilities		14 850 788.64	18 192 864.76
Total equity and liabilities		**21 413 410.94**	**23 003 087.55**

CONSOLIDATED CASH FLOW STATEMENT

EUR 1 000	2017	2016
OPERATING ACTIVITIES		
Operating profit/loss	2 215	3 935
Adjustments to operating profit/loss *	47	40
Change in working capital **	-1 486	-8 113
Interest received	31	26
Interest paid	-48	-55
Taxes paid	-445	-779
Cash flow from operating activities	**313**	**-4 946**
Investing activities		
Acquisition of intangible and tangible assets	-13	-28
Proceeds from sale of intangible and tangible assets	0	88
Repayment of loans granted	422	418
Cash flow from investing activities	**409**	**478**
Financing activities		
Withdrawals of long-term loans	221	221
Repayment of long-term loans	-439	-436
Cash flow from financing activities	**-218**	**-215**
Change in financial assets	**504**	**-4 683**
Financial assets January 1	14 160	18 843
Financial assets December 31	**14 664**	**14 160**
* Adjustments to operating profit/loss		
Depreciation and write-downs	47	128
Gain (-) or loss (+) from divestment of non-current assets	0	-88
Total	47	40
** Change in working capital		
Increase (-) or decrease (+) in non-interest-bearing receivables	1 638	-1 734
Increase (+) or decrease (-) in short-term non-interest-bearing	-3 124	-6 379
Total	-1 486	-8 113

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

Posiva Oy together with its subsidiary Posiva Solutions Oy forms the Posiva Group.
The parent company in Posiva Group is Posiva Oy, which is incorporated in Eurajoki.

Posiva Oy is a joint venture of Teollisuuden Voima Oyj and Fortum Power and Heat Oy.

Copies of the financial statements are available at the internet address **www.posiva.fi.**

Posiva Oy´s financial statements have been prepared in accordance with Finnish Accounting Standards (FAS) and other laws and regulations governing the preparation of the financial statements in Finland.

MEASUREMENT PRINCIPLES AND METHODS AND ACCRUAL PRINCIPLES AND METHODS

Measurement of non-current assets

Intangible rights, other non-current expenditure as well as property, plant and equipment are capitalised at immediate acquisition cost less depreciation/amortisation according to plan. The depreciation/amortisation according to plan equals the maximum amounts allowed by the Finnish Business Tax Act.

The acquisition cost of property, plant and equipment acquired for nuclear waste management prescribed by the Nuclear Energy Act have been deducted in their totality as annual costs because nuclear waste management costs will not accure income in the future for the companies with waste management obligations, non for Posiva.

The depreciation/amortisation periods for other non-current assets are as follows:

Intangible rights	Straight-line depreciation over 10 years
Other long-term expenditure	Straight-line depreciation over 10 years
Property, plant and equipment	Reducing balance depreciation at 25%

Research and development costs

The research and development costs have been recognised as annual costs during the year in which they were incurred.

COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT

Subsidiaries

The consolidated financial statements include parent company Posiva Oy and its wholly-owned subsidiary Posiva Solutions Oy.

Subsidiaries are companies which the Group has control at the end of the financial period. Control exists if the Group hold more than a half of the voting rights or otherwise has control.

Subsidiaries acquired are consolidated from the date on which control is transferred to the Group, and subsidiaries sold are no longer consolidated from the date that control ceases. The purchase method of accounting is used to consolidate subsidiaries into the Group. The purchase price is determined as the aggregate of the acquisition date fair values of the assets given as consideration and liabilities incurred or assumed. Costs directly attributable to the acquisition are recognised in profit or loss.

In the consolidation, intercompany share ownership, intercompany transactions, receivables, liabilities, unrealized gains and internal distributions of profits are eliminated. Unrealized losses are not eliminated, if the losses are due to impairment of the asset being transferred. To ensure consistency, subsidiaries' accounting policies have, in all material respects, been changed to conform to the accounting policies adopted by the Group.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

	2017	2016
2. TURNOVER		
Income, main line of business, related party	67 194 330.78	55 027 516.22
Income, auxiliary line of business, related party	83 657.02	45 439.29
Income, other companies	3 961 627.56	4 626 580.61
Total	71 239 615.36	59 699 536.12
3. OTHER INCOME		
Rental income	59 618.81	83 566.22
Subsidies received	83 274.85	378 027.18
Other income	842 020.81	1 328 252.71
Total	984 914.47	1 789 846.11
4. MATERIAL AND SERVICES		
Puchases of services, related party	14 313.17	0.00
Puchases of services, other	669 163.09	39 740.45
Total	683 476.26	39 740.45
5. PERSONNEL		
Average number of personnel	85	81
Number of personnel on December 31	80	80
Personnel expenses		
Wages and salaries	5 027 717.21	4 801 143.90
Pension expenses	690 311.85	881 101.15
Other compulsory personnel expenses	184 329.65	199 377.69
Total	5 902 358.71	5 881 622.74
6. DEPRECIATION		
Planned depreciation		
Intangible rights	1 784.89	2 308.63
Other long-term expenditure	342.09	70 269.97
Machinery and equipment	44 716.68	55 375.51
Total	46 843.66	127 954.11

NOTES TO THE CONSOLIDATED INCOME STATEMENT

	2017	2016
7. OTHER EXPENSES		
Rents	1 582 787.71	1 595 988.98
Internal services	9 137 035.08	9 141 973.99
Research and expert services	24 061 108.83	25 777 041.40
Buildings, machinery and equipment	14 649 083.12	4 138 687.77
Other expenses	13 946 892.29	10 851 541.03
Total	63 376 907.03	51 505 233.17
Acquisition costs of fixed assets used for nuclear waste management are booked as annual expenses under Section 5:1 of the Accounting Law.	25 778 905.69	12 335 515.27
Auditors' fees		
Audit fees	21 000.00	17 000.00
Other services	8 600.00	1 800.00
Total	29 600.00	18 800.00
8. FINANCIAL INCOME AND EXPENSES		
Interest income and other financial income		
Interest income from long-term loan receivables	20 518.59	23 866.38
Other interest and financial income	10 416.24	2 050.24
Total	30 934.83	25 916.62
Interest expenses and other financial expenses		
Interest and other financial expenses	48 487.11	56 237.41
Total	48 487.11	56 237.41
Total financial income (+) and expenses (-)	-17 552.28	-30 320.79

NOTES TO THE CONSOLIDATED BALANCE SHEET

	Intangible rights	Other non-current expenditure	Total
9. NON-CURRENT ASSETS			
Intangible assets			
Acquisition cost 1.1.2017	50 767.17	3 046 393.37	3 097 160.54
Acquisition cost 31.12.2017	50 767.17	3 046 393.37	3 097 160.54
Accumulated planned depreciation	45 997.02	3 046 051.28	3 092 048.30
Planned depreciation	1 784.89	342.09	2 126.98
Book value 31.12.2017	**2 985.26**	**0.00**	**2 985.26**

	Machinery and equipment	Total
Tangible assets		
Acquisition cost 1.1.2017	1 076 424.47	1 076 424.47
Increase	12 740.05	12 740.05
Acquisition cost 31.12.2017	1 089 164.52	1 089 164.52
Accumulated planned depreciation 1.1.	909 456.61	909 456.61
Planned depreciation	44 716.68	44 716.68
Book value 31.12.2017	**134 991.23**	**134 991.23**

	Investments	Total
Investments		
Acquisition cost 1.1.2017	43 366.70	43 366.70
Acquisition cost 31.12.2017	43 366.70	43 366.70
Book value 31.12.2017	**43 366.70**	**43 366.70**

	2017	2016
OTHER LONG-TERM LOAN RECEIVABLES		
Other loan receivables	1 717 806.04	2 198 632.50
Total	1 717 806.04	2 198 632.50

NOTES TO THE CONSOLIDATED BALANCE SHEET

	2017	2016
10. CURRENT RECEIVABLES		
Trade receivables, other companies	352 248.61	954 925.06
Trade receivables, related party	0.00	100.32
Loan receivables	425 195.98	366 190.93
Prepayment and accrued income, related party	8 591.30	547 579.46
Prepayment and accrued income, other companies	897 420.72	901 136.86
Prepaid rent	3 096 380.00	2 875 210.00
Other receivables	70 122.63	783 519.61
Total	4 849 959.24	6 428 662.24
11. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	14 664 302.47	14 160 346.01
Total	14 664 302.47	14 160 346.01
12. SHARE CAPITAL		
Share capital 1.1.	1 684 500.00	1 682 000.00
Change in share capital	0.00	2 500.00
Share capital 31.12.	1 684 500.00	1 684 500.00
Retained earnings/loss	3 125 722.79	0.00
Profit/loss for the financial year	1 752 399.51	3 125 722.79
Total	6 562 622.30	4 810 222.79
13. DEBTS FALL DUE IN MORE THAN FIVE YEARS	3 981 006.00	4 182 886.24
NON-CURRENT LIABILITIES		
Non-current liabilities from related party	4 341 590.74	4 483 395.92
Total	4 341 590.74	4 483 395.92

NOTES TO THE CONSOLIDATED BALANCE SHEET

	2017	2016
14. CURRENT LIABILITIES		
Liabilities from related party	1 974 178.46	1 892 919.96
Other advances received	59 687.88	936 214.87
Accounts payable from others	3 491 750.79	6 308 126.75
Tax liability	835 220.08	958 436.15
Accrued wages and salaries	1 621 445.79	1 690 551.50
Other liabilities	2 526 914.90	1 923 219.61
Total	10 509 197.90	13 709 468.84
15. COMMITMENTS		
Contingent liabilities given on own behalf		
Customs liabilities	20 000.00	20 000.00
Contingent liabilities given on behalf of Group companies		
Parent company guarantee *	2 000 000.00	2 000 000.00
Other rent liabilities		
Rent liabilities falling due in less than a year	442 340.00	454 640.80
Rent liabilities falling due later	2 211 700.00	2 654 040.00
Total	2 654 040.00	3 108 680.80

Posiva has rented from Teollisuuden Voima Oyj a land area for the final disposal of spent nuclear fuel. The rental period is from July 1, 2003 to June 30, 2103. The rental agreement is subject to notice in case the land area is not suitable for the final disposal of spent nuclear fuel. The rent is checked every two years according to cost-of-living index. The rent was EUR 648 486,41 in 2017 (EUR 642 759,51 in 2016).

* The maximum liability of the calendar year. The guarantee will be valid until August 31, 2027.

PARENT COMPANY'S INCOME STATEMENT

	Note	1.1. - 31.12.2017	1.1. - 31.12.2016
Turnover	2	67 901 865.98	55 495 902.10
Other income	3	984 914.47	1 789 846.11
Personnel expenses	4	-5 775 934.87	-5 805 242.03
Depreciation	5	-46 843.66	-127 954.11
Other expenses	6	-63 046 788.18	-51 325 688.37
Profit/loss from operations		**17 213.74**	**26 863.70**
Financial income and expenses	7	-17 213.74	-30 248.68
Profit/loss before appropriations and taxes		**0.00**	**-3 384.98**
Income taxes		0.00	3 384.98
Profit/loss for the financial year		**0.00**	**0.00**

PARENT COMPANY'S BALANCE SHEET

	Note	31.12.2017	31.12.2016
Assets			
Non-current assets	8		
Intangible assets		2 985.26	5 112.24
Tangible assets		134 991.23	166 967.86
Investments		45 866.70	45 866.70
Non-current receivables		1 717 806.04	2 198 632.50
Total non-current assets		1 901 649.23	2 416 579.30
Current assets			
Current receivables	9	4 125 134.67	6 269 854.69
Cash and cash equivalents	10	10 271 790.90	10 318 197.49
Total current assets		14 396 925.57	16 588 052.18
Total assets		**16 298 574.80**	**19 004 631.48**
Equity and liabilities			
Equity	11		
Share capital		1 684 500.00	1 684 500.00
Total equity		1 684 500.00	1 684 500.00
Liabilities			
Non-current liabilities	12	4 341 590.74	4 483 395.92
Current liabilities	13	10 272 484.06	12 836 735.56
Total liabilities		14 614 074.80	17 320 131.48
Total equity and liabilities		**16 298 574.80**	**19 004 631.48**

PARENT COMPANY'S CASH FLOW STATEMENT

EUR 1 000	2017	2016
Operating activities		
Operating profit/loss	17	27
Adjustments to operating profit/loss *	47	40
Change in working capital **	-285	-8 827
Interest received	31	26
Interest paid	-47	-55
Taxes paid	0	3
Cash flow from operating activities	**-237**	**-8 786**
Investing activities		
Acquisition of intangible and tangible assets	-13	-28
Proceeds from sale of intangible and tangible assets	0	88
Acquisition of shares	0	-3
Repayment of loans granted	422	418
Cash flow from investing activities	**409**	**476**
Financing activities		
Withdrawals of long-term loans	221	221
Repayment of long-term loans	-439	-436
Cash flow from financing activities	**-218**	**-215**
Change in financial assets	**-46**	**-8 525**
Financial assets January 1	10 318	18 843
Financial assets December 31	**10 272**	**10 318**
* Adjustments to operating profit/loss		
Depreciation and write-downs	47	128
Gain (-) or loss (+) from divestment of non-current assets	0	-88
Total	47	40
** Change in working capital		
Increase (-) or decrease (+) in non-interest-bearing receivables	2 203	-1 575
Increase (+) or decrease (-) in short-term non-interest-bearing liabilities	-2 488	-7 252
Total	-285	-8 827

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

GENERAL INFORMATION OF THE COMPANY

Posiva Oy is a joint venture company of Teollisuuden Voima Oyj and Fortum Power and Heat Oy. Posiva Oy (1029258-8) is the parent company in Posiva group.

Posiva Oy´s financial statements have been prepared in accordance with Finnish Accounting Standards (FAS) and other laws and regulations governing the preparation of the financial statements in Finland.

MEASUREMENT PRINCIPLES AND METHODS AND ACCRUAL PRINCIPLES AND METHODS

Measurement of non-current assets

Intangible rights, other non-current expenditure as well as property, plant and equipment are capitalised at immediate acquisition cost less depreciation/amortisation according to plan. The deapreciation/amortisation according to plan equals the maximum amounts allowed by the Finnish Business Tax Act.

The acquisition cost of property, plant and equipment acquired for nuclear waste management prescribed by the Nuclear Energy Act have been deducted in their totality as annual costs because nuclear waste management costs will not accure income in the future for the companies with waste management obligations, non for Posiva.

The depreciation/amortisation periods for other non-current assets are as follows:

Intangible rights	Straight-line depreciation over 10 years
Other long-term expenditure	Straight-line depreciation over 10 years
Property, plant and equipment	Reducing balance depreciation at 25%

Research and development costs

The research and development costs have been recognised as annual costs during the year in which they were incurred.

NOTES TO THE PARENT COMPANY'S INCOME STATEMENT

	2017	2016
2. TURNOVER		
Income, auxiliary line of business, shareholders	605 453.67	226 874.30
Income, main line of business, related party	67 194 330.78	55 027 516.22
Income, auxiliary line of business, related party	77 749.23	45 439.29
Income, other companies	24 332.20	196 072.29
Total	67 901 865.88	55 495 902.10
3. OTHER INCOME		
Rental income	59 618.81	83 566.22
Subsidies received	83 274.85	378 027.18
Other income	842 020.81	1 328 252.71
Total	984 914.47	1 789 846.11
4. PERSONNEL		
Average number of personnel during financial year		
Office personnel	80	76
Manual Workers	4	5
Total	84	81
Number of personnel on December 31		
Office personnel	75	75
Manual Workers	4	4
Total	79	79
Personnel expenses		
Wages and salaries	4 906 379.20	4 739 604.06
Pension expenses	688 762.25	869 988.32
Other compulsory personnel expenses	180 793.42	195 649.65
Total	5 775 934.87	5 805 242.03
5. DEPRECIATION		
Planned depreciation		
Intangible rights	1 784.89	2 308.60
Other long-term expenditure	342.09	70 269.97
Machinery and equipment	44 716.68	55 375.51
Total	46 843.66	127 954.08

NOTES TO THE PARENT COMPANY'S INCOME STATEMENT

	2017	2016
6. OTHER EXPENSES		
Rents	1 582 787.71	1 595 988.98
Internal services	8 964 885.59	9 028 829.87
Research and expert services	24 057 382.36	25 753 118.20
Buildings, machinery and equipment	14 649 083.12	4 138 687.77
Other expenses	13 792 649.40	10 809 063.55
Total	63 046 788.18	51 325 688.37
Acquisition costs of fixed assets used for nuclear waste management are booked as annual expenses under Section 5:1 of the Accounting Law	25 778 905.69	12 335 515.27
Auditors' fees		
Audit fees	17 000.00	15 000.00
Other services	2 000.00	0.00
Total	19 000.00	15 000.00
7. FINANCIAL INCOME AND EXPENSES		
Interest income and other financial income		
Interest income from long-term loan receivables	20 518.59	23 866.38
Other interest and financial income	10 376.93	2 045.35
Total	30 895.52	25 911.73
Interest expenses and other financial expenses		
Interest and other financial expenses	48 109.26	56 160.41
Total	48 109.26	56 160.41
Total financial income (+) and expenses (-)	-17 213.74	-30 248.68

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

	Intangible rights	Other non-current expenditure	Total
8. NON-CURRENT ASSETS			
Intangible assets			
Acquisition cost 1.1.2017	50 767.17	3 046 393.37	3 097 160.54
Acquisition cost 31.12.2017	50 767.17	3 046 393.37	3 097 160.54
Accumulated planned depreciation 1.1.	45 997.02	3 046 051.28	3 092 048.30
Planned depreciation	1 784.89	342.09	2 126.98
Book value 31.12.2017	**2 985.26**	**0.00**	**2 985.26**

	Machinery and equipment	Total
Tangible assets		
Acquisition cost 1.1.2017	1 076 424.47	1 076 424.47
Increase	12 740.05	12 740.05
Acquisition cost 31.12.2017	1 089 164.52	1 089 164.52
Accumulated planned depreciation 1.1.	909 456.61	909 456.61
Planned depreciation	44 716.68	44 716.68
Book value 31.12.2017	**134 991.23**	**134 991.23**

	Investments	Total
Investments		
Acquisition cost 1.1.2017	45 866.70	45 866.70
Acquisition cost 31.12.2017	45 866.70	45 866.70
Book value 31.12.2017	45 866.70	45 866.70

OTHER LONG-TERM LOAN RECEIVABLES

	2017	2016
Other loan receivables	1 717 806.04	2 198 632.50
Total	1 717 806.04	2 198 632.50

The presentation of other loan receivables has been changed 2016. The item will be presented as other long-term loan receivables in the balance sheet.

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

	2017	2016
9. CURRENT RECEIVABLES		
Trade receivables, other companies	348 891.67	840 485.06
Trade receivables, from related party	0.00	100.32
Loan receivables	425 195.98	366 190.93
Prepayments and accrued income from shareholders	27 700.00	25 000.00
Prepayments and accrued income from related party	8 591.30	547 579.46
Prepayments and accrued income from others	183 675.72	855 743.85
Prepaid rent	3 096 380.00	2 875 210.00
Other deferred income	34 700.00	759 545.07
Total	4 125 134.67	6 269 854.69
10. CASH AND CASH EQUIVALENTS		
Cash and equivalents	10 271 790.90	10 318 197.49
Total	10 271 790.90	10 318 197.49
11. SHARE CAPITAL		
Share capital 1.1.	1 684 500.00	1 682 000.00
Change in share capital	0.00	2 500.00
Share capital 31.12.	1 684 500.00	1 684 500.00
12. DEBTS FALL DUE IN MORE THAN FIVE YEARS	3 981 006.00	4 182 886.24
NON-CURRENT LIABILITIES		
Non-current liabilities from related party	4 341 590.74	4 483 395.92
Total	4 341 590.74	4 483 395.92

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

	2017	2016
13. CURRENT LIABILITIES		
Financial liabilities from related party	1 959 878.46	1 874 697.08
Advances received from others	59 687.88	936 214.87
Accounts payable from others	3 434 178.96	6 286 131.66
Tax liability	796 719.67	173 553.48
Accrued wages and salaries	1 578 830.55	1 657 995.99
Other accrued expenses and deferred income	2 443 188.54	1 908 142.49
Total	10 272 484.06	12 836 735.57
14. COMMITMENTS		
Contingent liabilities given on own behalf		
Customs liabilities	20 000.00	20 000.00
Contingent liabilities given on behalf of Group companies		
Parent company guarantee*	2 000 000.00	2 000 000.00
Other rent liabilities		
Rent liabilities falling due in less than a year	442 340.00	454 640.80
Rent liabilities falling due later	2 211 700.00	2 654 040.00
Total	2 654 040.00	3 108 680.80

Posiva has rented from Teollisuuden Voima Oyj a land area for the final disposal of spent nuclear fuel. The rental period is from July 1, 2003 to June 30, 2103. The rental agreement is subject to notice in case the land area is not suitable for the final disposal of spent nuclear fuel. The rent is checked every two years according to cost-of-living index. The rent was EUR 648 486.41 in 2017 (EUR 642 759.51 in 2016).

*The maximum liability of the calendar year. The guarantee will be valid until August 31, 2027.

SIGNATURES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

Helsinki, 20 February 2018

Jarmo Tanhua, Chairman

Pekka Leskelä

Satu Katajala

Marko Nylund

Janne Mokka, President

AUDITOR'S REPORT

To the Annual General Meeting of Posiva Oy

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Posiva Oy (business identity code 1029258-8) for the financial period 1 January – 31 December 2017. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland an comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER REPORTING REQUIREMENTS

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of the information included in the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Other Opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki 27 March 2018

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